

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Michigan 47th District Court</u>	County Oakland
Audit Date June 30, 2005	Opinion Date September 16, 2005	Date Accountant Report Submitted To State: December 21, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): Plante & Moran, PLLC			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48034
Accountant Signature 			

Michigan 47th District Court

**Financial Report
with Supplemental Information
June 30, 2005**

Michigan 47th District Court

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Independent Auditor's Report

To District Judges Marla E. Parker
and James B. Brady and the
Members of the City Councils
of Farmington and Farmington Hills
Michigan 47th District Court
Farmington Hills, Michigan 48336

We have audited the accompanying financial statements of the governmental activities, the Administrative Fund, and the fiduciary fund information of the Michigan 47th District Court, which collectively comprise the Court's basic financial statements as of and for the year ended June 30, 2005. These financial statements are the responsibility of the Michigan 47th District Court's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the Administrative Fund, and the fiduciary fund information of the Michigan 47th District Court and the respective changes in financial position thereof for the year ended June 30, 2005, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis identified in the table of contents is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it. The required supplemental information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic statements of the Michigan 47th District Court. This information has been subjected to the procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A member of



A worldwide association of independent accounting firms

To District Judges Marla E. Parker
and James B. Brady and the Members of the City
Councils of Farmington and Farmington Hills
Michigan 47th District Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Court's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

September 16, 2005

Michigan 47th District Court

Management's Discussion and Analysis

Our discussion and analysis of the Michigan 47th District Court's (the "Court") financial performance provides an overview of the Court's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the Court's financial statements.

The Court is a joint venture of the City of Farmington and the City of Farmington Hills. Its financial activities are comprised of two major functions - the operation of the Court and its trust and agency transactions. The operation of the Court is reported in its Administration Fund. The trust and agency activities of the court are reported in Fiduciary Funds.

Using this Annual Report

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplemental information. The basic financial statements include information that presents two different views of the Court:

- The first column of the financial statements includes information on the Court's Administration Fund under the modified accrual method. These fund financial statements focus on current financial resources and provide a more detailed view about the accountability of the Court's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method.
- The government-wide financial statement column provides both long-term and short-term information about the Court's overall financial status. The statement of net assets and the statement of activities provide information about the activities of the Court as a whole and present a longer-term view of the Court's finances. These statements tell how these services were financed in the short term, as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements.

Michigan 47th District Court

Management's Discussion and Analysis (Continued)

Condensed Financial Information

The table below depicts key financial information for the Administration Fund in a condensed format, in thousands of dollars.

	2005	2004
Assets		
Current assets	\$ 330	\$ 272
Capital assets	118	136
Total assets	448	408
Liabilities		
Other liabilities	265	180
Installment purchase agreements	85	118
Total liabilities	350	298
Net Assets		
Invested in capital assets	34	18
Restricted for drunk driving-related expenses	62	90
Unrestricted	2	2
Total net assets	<u>\$ 98</u>	<u>\$ 110</u>
Revenue		
Contributions:		
City of Farmington	\$ 398	\$ 396
City of Farmington Hills	2,571	2,533
Other	163	110
Total revenue	3,132	3,039
Expenses - Court services	<u>3,144</u>	<u>3,033</u>
Change in Net Assets	<u>\$ (12)</u>	<u>\$ 6</u>

Michigan 47th District Court

Management's Discussion and Analysis (Continued)

The Court as a Whole

- The Court's primary source of revenues is contributions from the Cities of Farmington and Farmington Hills, Michigan, which represents 96 percent of total revenue.
- Salaries and fringe benefits continue to be a significant expense of the Court, representing 78 percent of the Court's total expenditures.
- The Court's administration fund's actual contributions from the cities was less than budgeted by \$125,743. This resulted from the Court using drunk driving funds to cover certain expenses and the court spending less than was budgeted by \$98,245.
- Court assets and revenues increased from last year primarily due to a contribution of computer equipment from the State of Michigan in the amount of \$32,000. Expenditures increased as a result of depreciation expense by approximately \$49,000 in the current year.

The Court's Fund

Our analysis of the Court's major fund is included on pages 7 through 9 in the first column of the respective statements. The fund column provides detailed information about the most significant fund, not the Court as a whole. The Court's major fund consists solely of the Administration Fund.

The Administration Fund budget is prepared by court administration and approved by the councils of the two cities. Substantially all of the expenditures of the Court are paid for by contributions from the two cities based upon an agreed formula for funding the court.

The fund balances of the Court consist of legal reserves and imprest cash. Once per year, at the end of the Court's fiscal year, the two cities calculate the net expenditures of the Court and adjust their final contribution to set fund balances at the approved reserves. During the current year, fund balance was decreased by \$27,497, primarily because a portion of the accumulated drunk driving proceeds was used to cover current expenditures, as recommended by Court management.

Michigan 47th District Court

Management's Discussion and Analysis (Continued)

Court Budgetary Highlights

Due to the Court's move to a new expanded facility in July 2003, certain facility-related line item expenditures in fiscal year 2004-2005 exceeded budgeted amounts because at the time the budget was created there was no reliable expenditure history on which to base budget projections. Primary among these was the public utilities line item. Since the budget was submitted in February 2004 after only six months of building occupancy (and no winter month experience), projecting the utilities budget was at best an educated guess. In addition, gas/electric service prices increased substantially at the same time. Ultimately, we were over budget in that line item by \$20,643.

The cost of court-appointed attorneys exceeded budget projections by \$22,900. This now appears to be a trend and budget projections have been increased for 2005-2006. Although a substantial portion (54 percent) of these expenses is recouped through reimbursement from the defendants as part of their fines and costs, we are trying to identify strategies to fix these costs to the extent possible.

Despite the unforeseen cost increases in these two line items, overall Court expenditures were under budget by \$98,245 in fiscal year 2004-2005. There were substantial savings in personnel line items due to the Court holding open vacant positions and reductions in salary scale for certain positions. In addition, the Court increased the employee prescription co-pay on its hospitalization insurance saving over \$27,000. In conjunction with the City of Farmington Hills, the Court changed telephone service, netting over \$6,800 in savings. The Court received 27 Dell computers and monitors from the State of Michigan saving the Court \$5,500, which was budgeted for capital expenses but not spent. Also, because the Court's caseload declined in 2004-2005, we were able to reduce several case processing-related expenses including jury fees, visiting judge expenses, professional services, and witness fees.

Contacting the Court's Management

This financial report is intended solely to provide our funding units, citizens, and taxpayers a general overview of the Court's finances and to show the Court's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Court's administration.

Michigan 47th District Court

Governmental Fund Balance Sheet/Statement of Net Assets June 30, 2005

	Administration Fund - Modified Accrual Basis	GASB No. 34 Adjustments (Note 2)	Statement of Net Assets - Full Accrual Basis
Assets			
Cash and cash equivalents (Note 3)	\$ 306,520	\$ -	\$ 306,520
Due from other governmental units	15,256	-	15,256
Prepaid expenses and other assets	8,152	-	8,152
Capital assets - Net (Note 4)	-	118,528	118,528
Total assets	<u>\$ 329,928</u>	118,528	448,456
Liabilities			
Accounts payable	\$ 69,064	-	69,064
Due to other governmental units	92,226	-	92,226
Salary withholdings, accrued payroll, and payroll taxes payable	104,227	-	104,227
Noncurrent liabilities (Note 5):			
Due within one year	-	-	-
Due in more than one year	-	84,677	84,677
Total liabilities	265,517	84,677	350,194
Fund Balance			
Reserved - Drunk driving and drug case management appropriation (Note 6)	62,061	(62,061)	-
Unreserved/Undesignated	2,350	(2,350)	-
Total fund balance	<u>64,411</u>	<u>(64,411)</u>	-
Total liabilities and fund balance	<u>\$ 329,928</u>		
Net Assets			
Invested in capital assets - Net of related debt		33,851	33,851
Restricted for drunk driving and drug case management related expenses (Note 6)		62,061	62,061
Unrestricted		2,350	2,350
Total net assets		<u>\$ 98,262</u>	<u>\$ 98,262</u>

Michigan 47th District Court

Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2005

	Administration Fund - Modified Accrual Basis	GASB No. 34 Adjustments (Note 2)	Statement of Activities - Full-accrual Basis
Revenue			
Contributions:			
City of Farmington	\$ 398,473	\$ -	\$ 398,473
City of Farmington Hills	2,570,776	-	2,570,776
State funding:			
Judicial salaries	91,448	-	91,448
Drug court	4,750	-	4,750
Drunk driving	17,469	-	17,469
Computer Equipment Grant	-	32,400	32,400
Miscellaneous income	16,607	-	16,607
Total revenue	3,099,523	32,400	3,131,923
Expenditures			
Salaries and wages	1,633,264	-	1,633,264
Employees' longevity pay	39,876	-	39,876
Fringe benefits	9,373	-	9,373
Insurance allowance	840	-	840
Vehicle allowance	3,600	-	3,600
Payment in lieu of hospital insurance	33,357	-	33,357
Social Security	120,204	-	120,204
Employees' hospitalization insurance	273,242	-	273,242
Employees' life insurance	20,923	-	20,923
Retirement contribution	263,843	-	263,843
Workers' compensation	6,158	-	6,158
Unemployment compensation	1,141	-	1,141
Employees' optical service	3,060	-	3,060
Employees' dental plan	40,178	-	40,178
Office supplies	47,538	-	47,538
Postage	27,535	-	27,535
Records management	834	-	834
Law library	6,572	-	6,572
Professional services	1,075	-	1,075
Professional services - Labor relations	6,879	-	6,879
Witness fees	9,627	-	9,627
Jury fees	4,681	-	4,681
Transcript fees	92	-	92
Interpreter fees	20,460	-	20,460
Substitute court reporter	10,245	-	10,245
Court-appointed counsel	87,900	-	87,900
Accounting fees	26,720	-	26,720
Audit and accounting fees	13,175	-	13,175

Michigan 47th District Court

Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities (Continued) Year Ended June 30, 2005

	Administration Fund - Modified Accrual Basis	GASB No. 34 Adjustments (Note 2)	Statement of Activities - Full-accrual Basis
Expenditures (Continued)			
Contractual services	\$ 134,702	\$ (32,893)	\$ 101,809
Telecommunications	13,136	-	13,136
Transportation	6,555	-	6,555
Mileage	1,381	-	1,381
Public utilities	114,643	-	114,643
Maintenance - Office equipment	5,277	-	5,277
Building maintenance	39,084	-	39,084
Cleaning and uniforms	2,862	-	2,862
Equipment rental	16,178	-	16,178
Memberships	3,339	-	3,339
Miscellaneous	10,670	-	10,670
Banking charges	11,924	-	11,924
Insurance and bonds	32,463	-	32,463
Noncapitalized assets	17,664	-	17,664
2005 Drug court	4,750	-	4,750
Depreciation	-	49,819	49,819
Total expenditures	<u>3,127,020</u>	<u>16,926</u>	<u>3,143,946</u>
Excess of Expenditures Over Revenue/Change in Net Assets	(27,497)	15,474	(12,023)
Fund Balance/Net Assets - Beginning of year	<u>91,908</u>	<u>18,377</u>	<u>110,285</u>
Fund Balance/Net Assets - End of year	<u><u>\$ 64,411</u></u>	<u><u>\$ 33,851</u></u>	<u><u>\$ 98,262</u></u>

Michigan 47th District Court

Fiduciary Funds Statement of Assets and Liabilities June 30, 2005

	<u>Agency Fund</u>	<u>Trust Fund</u>
Assets - Cash and cash equivalents (Note 3)	<u>\$ 339,878</u>	<u>\$ 147,484</u>
Liabilities		
Due to City of Farmington Hills	\$ 172,350	\$ -
Due to City of Farmington	60,390	-
Due to other governmental units	3,013	-
Due to Municipal Building Fund	12,063	-
Due to State of Michigan	83,329	-
Due to Oakland County	6,218	-
Refundable bonds and other	<u>2,515</u>	<u>147,484</u>
Total liabilities	<u>\$ 339,878</u>	<u>\$ 147,484</u>

Michigan 47th District Court

Notes to Financial Statements June 30, 2005

Note I - Summary of Significant Accounting Policies

The accounting policies of the Michigan 47th District Court (the "Court") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Court:

Reporting Entity

The Court is reported as a joint venture in the cities of Farmington and Farmington Hills, Michigan's basic financial statements. Based on the significance of any operational or financial relationships with the Court, there are no component units to be included in the Court's financial report.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Court's basic financial statements include both the Court's full accrual financial statements and modified accrual financial statements.

Full Accrual Financial Statements

The full accrual financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which are described below.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The statement of net assets includes and recognizes all long-term assets, as well as long-term obligations. The Court's net assets are reported in three parts - invested in capital assets, restricted net assets, and unrestricted net assets.

The statement of activities eliminates capital outlay expense and principal payments on installment purchase agreements and includes depreciation on long-term assets.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the full accrual financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Court has elected not to follow public sector standards issued after November 30, 1989 for its full accrual activities.

Michigan 47th District Court

Notes to Financial Statements June 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Modified Accrual Financial Statements

The Court's modified accrual financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which are described below.

Grant and other revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay finance expenditures of the fiscal period. For this purpose, the Court considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Fine and fee revenue items are considered to be available only when cash is received by the Court. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period.

The accounts of the Court are organized on the basis of funds, each of which is considered a separate accounting entity. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad categories as follows:

Governmental Funds

Administration Fund - The Administration Fund was established to account for the operations of the Court. The Administration Fund is funded principally by transfers from the City of Farmington Hills and the City of Farmington and reimbursements from the State of Michigan.

Fiduciary Funds

Agency and Trust Funds - The Agency and Trust Funds report the collection of amounts that are subsequently returned or paid to third parties. Accordingly, the operations of the funds are limited to cash transactions.

Michigan 47th District Court

Notes to Financial Statements June 30, 2005

Note I - Summary of Significant Accounting Policies (Continued)

Financial Statement Amounts

Cash and Cash Equivalents - The Court has defined cash and cash equivalents to include cash on hand and all highly liquid investments purchased with an original maturity of three months or less when acquired.

Capital Assets - Capital assets are defined by the Court as assets with an initial cost of more than \$4,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Court only records capital assets paid for by the Administration Fund. The Court building and the majority of the furniture and equipment were paid for by the Farmington Hills Building Authority and are recorded on the financial statements of the City of Farmington and the City of Farmington Hills.

Computers and computer software are depreciated using the straight-line method over the useful life of five years. Equipment is depreciated using the straight-line method over the useful life of seven years.

Long-term Obligations - In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity - In the fund financial statements, the governmental fund reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Michigan 47th District Court

Notes to Financial Statements June 30, 2005

Note 2 - Reconciliation of the Court as a Whole and the Individual Fund Financial Statements

Total fund balance and the net change in fund balance of the Court's Administration Fund differs from the net assets and change in net assets of the Court's activities reported in the governmental fund balance sheet/statement of net assets and the statement of governmental revenue, expenditures, and changes in fund balance/statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current focus of the Administration Fund balance sheet and statement of revenue, expenditures, and change in fund balance.

The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - Modified Accrual Basis	\$ 64,411
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources and are not reported in the funds	118,528
Installment purchase obligations are not due and payable in the current period and are not reported in the funds	(84,677)
Total Net Assets - Full Accrual Basis	\$ 98,262

Michigan 47th District Court

Notes to Financial Statements June 30, 2005

Note 2 - Reconciliation of the Court as a Whole and the Individual Fund Financial Statements (Continued)

Net Change in Fund Balance - Modified Accrual Basis	\$ (27,497)
Amounts reported in the statement of activities are different because depreciation is recorded as an expense in the statement of activities	(49,819)
Contributions of donated assets are not recorded in the administrative fund	32,400
Repayment of installment purchase agreement is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	<u>32,893</u>
Change in Net Assets - Full Accrual Basis	<u><u>\$ (12,023)</u></u>

Note 3 - Deposits

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Court is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Court has designated one bank for the deposit of its funds. The investment policy adopted by the Court in accordance with Public Act 196 of 1997 has authorized investment in all investments permissible under Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) as listed above. The Court's deposits and investment policies are in accordance with statutory authority.

Michigan 47th District Court

Notes to Financial Statements June 30, 2005

Note 3 - Deposits (Continued)

The Court's cash is subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Court's deposits may not be returned to it. The Court does not have a deposit policy for custodial credit risk. At year end, the Court had \$645,995 of bank deposits (checking accounts) that were uninsured and uncollateralized. The Court believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Court evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Court has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Money market account	\$ 244,810	Not rated	N/A

Note 4 - Capital Assets

Capital asset activity of the Court was as follows:

	Balance July 1, 2004	Additions	Disposals and Adjustments	Balance June 30, 2005
Capital assets being depreciated:				
Computers and computer software	\$ 71,508	\$ 32,400	\$ -	\$ 103,908
Equipment	64,439	-	-	64,439
Subtotal	135,947	32,400	-	168,347
Accumulated depreciation:				
Computers and computer software	-	31,408	-	31,408
Equipment	-	18,411	-	18,411
Subtotal	-	49,819	-	49,819
Net capital assets being depreciated	\$ 135,947	\$ (17,419)	\$ -	\$ 118,528

Michigan 47th District Court

Notes to Financial Statements June 30, 2005

Note 5 - Installment Purchase Agreements

Outstanding Obligations

Installment purchase agreements are general obligations of the Court, the activity can be summarized as follows:

	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Installment purchase agreement - AS400: Amount of Issue - \$64,439 Maturing through 2009	\$856-\$997	\$ 64,439	\$ -	\$ (17,221)	\$ 47,218	\$ 10,431
Installment purchase agreement - Telephone system: Amount of Issue - \$53,131 Maturing through 2009	\$710-\$824	53,131	-	(15,672)	37,459	8,655
Total installment purchase agreements					<u>\$ 84,677</u>	<u>\$ 19,086</u>

Debt Service Requirements

The annual requirements to service all installment purchase obligations outstanding as of June 30, 2005, including principal and interest, are as follows:

Years Ending June 30	Principal	Interest	Total
2006	\$ 19,086	\$ 2,947	\$ 22,033
2007	19,840	2,192	22,033
2008	20,621	1,412	22,033
2009	21,439	594	22,033
2010	3,692	21	3,713
Total	<u>\$ 84,677</u>	<u>\$ 7,166</u>	<u>\$ 91,843</u>

Interest

Interest expense for the Court for the year ended June 30, 2005 was approximately \$3,700.

Michigan 47th District Court

Notes to Financial Statements June 30, 2005

Note 6 - Reserved/Restricted Fund Balance/Net Asset Activity

A summary of the current year activity related to the Court's drunk driving and drug case management appropriation is as follows:

Reserved/Restricted fund balance/Net assets - July 1, 2004	\$ 90,108
Current year receipts from State of Michigan	18,405
Current year expenditures	<u>(46,452)</u>
Reserved/Restricted fund balance/Net assets - June 30, 2005	<u>\$ 62,061</u>

Note 7 - Budget Information

The annual budget of the Administration Fund is prepared by Court management and adopted by the city councils of the City of Farmington and the City of Farmington Hills, Michigan in May for the following fiscal year; subsequent amendments are approved by both city councils. During the current year, there were no budget amendments. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2005 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget statement (statement of revenue, expenditures, and changes in fund balance - budget and actual - Administration Fund) is presented on the same basis of accounting used in preparing the adopted budget.

The Administration Fund budget has been adopted in total; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the Administration Fund budget as adopted by the respective city councils is included in the required supplemental information.

Michigan 47th District Court

Notes to Financial Statements June 30, 2005

Note 8 - Risk Management

The Court is exposed to various risks of loss pertaining to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Court has purchased commercial insurance for medical benefits provided to employees, and participates in the Michigan Municipal Risk Management Authority (the "Authority"), a risk pool for claims relating to property loss, torts, and errors and omissions. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims in excess of plan limits remains with the Court.

Note 9 - Retirement Plans

Employees of the Court are covered by the retirement plan of the City of Farmington Hills. Information related to this plan is available at the City of Farmington Hills city offices.

Required Supplemental Information

Michigan 47th District Court

Required Supplemental Information Budgetary Comparison Schedule - Administration Fund Year Ended June 30, 2005

	Original and Amended Budget*	Actual	Favorable (Unfavorable) Variances with Amended Budget
Revenue			
Contributions:			
City of Farmington	\$ 412,504	\$ 398,473	\$ (14,031)
City of Farmington Hills	2,661,294	2,570,776	(90,518)
State funding:			
Judicial salaries	91,448	91,448	-
Drug court	-	4,750	4,750
Drunk driving	45,920	17,469	(28,451)
Miscellaneous income	14,100	16,607	2,507
Total revenue	3,225,266	3,099,523	(125,743)
Expenditures			
Salaries and wages	1,665,818	1,633,264	32,554
Employees' longevity pay	44,705	39,876	4,829
Fringe benefits	4,500	9,373	(4,873)
Insurance allowance	840	840	-
Vehicle allowance	3,600	3,600	-
Payment in lieu of hospital insurance	4,800	33,357	(28,557)
Social Security	129,144	120,204	8,940
Employees' hospitalization insurance	335,858	273,242	62,616
Employees' life insurance	24,447	20,923	3,524
Retirement contribution	260,631	263,843	(3,212)
Workers' compensation	7,970	6,158	1,812
Unemployment compensation	-	1,141	(1,141)
Employees' optical service	4,000	3,060	940
Employees' dental plan	41,898	40,178	1,720
Office supplies	49,000	47,538	1,462
Postage	22,500	27,535	(5,035)
Records management	2,500	834	1,666
Law library	6,753	6,572	181
Professional services	21,491	1,075	20,416
Professional services - Labor relations	5,000	6,879	(1,879)
Witness fees	14,000	9,627	4,373
Jury fees	8,500	4,681	3,819
Transcript fees	-	92	(92)
Interpreter fees	32,000	20,460	11,540
Substitute court reporter	12,000	10,245	1,755
Court-appointed counsel	65,000	87,900	(22,900)
Accounting fees	26,710	26,720	(10)

Michigan 47th District Court

Required Supplemental Information Budgetary Comparison Schedule - Administration Fund (Continued) Year Ended June 30, 2005

	Original and Amended Budget*	Actual	Favorable (Unfavorable) Variances with Amended Budget
Expenditures (Continued)			
Audit and accounting fees	\$ 10,000	\$ 13,175	\$ (3,175)
Contractual services	139,243	134,702	4,541
Telecommunications	20,000	13,136	6,864
Transportation	13,500	6,555	6,945
Mileage	2,000	1,381	619
Public utilities	94,000	114,643	(20,643)
Maintenance - Office equipment	22,937	5,277	17,660
Building maintenance	42,465	39,084	3,381
Cleaning and uniforms	2,550	2,862	(312)
Equipment rental	15,570	16,178	(608)
Memberships	6,535	3,339	3,196
Miscellaneous	12,000	10,670	1,330
Banking charges	12,000	11,924	76
Insurance and bonds	30,800	32,463	(1,663)
Noncapitalized assets	2,500	17,664	(15,164)
Capital outlay - Computer software	5,500	-	5,500
2005 Drug court	-	4,750	(4,750)
	<u>3,225,265</u>	<u>3,127,020</u>	<u>98,245</u>
Total expenditures			
	1	(27,497)	(27,498)
Excess of Revenue Over (Under) Expenditures			
	91,908	91,908	-
Fund Balance - Beginning of year			
	<u>\$ 91,909</u>	<u>\$ 64,411</u>	<u>\$ (27,498)</u>
Fund Balance - End of year			

* There were no budget amendments in the current year.

Other Supplemental Information

Michigan 47th District Court

Schedule of Cash Receipts and Disbursements Agency Fund Types Year Ended June 30, 2005

	Agency Fund	Trust Fund
Cash and Cash Equivalents - July 1, 2004	\$ 363,633	\$ 255,996
Cash Receipts		
Fines and fees collected	4,227,411	-
Interest and other	1,574	927
Bond and escrow receipts and garnishments collected	-	749,357
Total cash receipts	4,228,985	750,284
Disbursements		
Transfers to Court control units:		
City of Farmington	590,073	-
City of Farmington Hills	2,473,215	-
Transfers to State of Michigan	905,447	-
Transfers to Oakland County	84,677	-
Bond refunds and forfeitures and escrow and garnishments disbursed	-	858,796
Transfers to Building Fund	147,745	-
Transfers for clearance cards	39,161	-
Bank charges and other	12,422	-
Total disbursements	4,252,740	858,796
Cash and Cash Equivalents - June 30, 2005	<u>\$ 339,878</u>	<u>\$ 147,484</u>

September 16, 2005

District Judges Marla E. Parker
and James B. Brady
Michigan 47th District Court
Farmington Hills, Michigan 48336

Dear Judge Parker and Judge Brady:

We recently completed our audit of the basic financial statements of the State of Michigan 47th District Court for the year ended June 30, 2005. As a result of our audit, we have the following comments and recommendations for your review and consideration.

INTERNAL CONTROL CONSIDERATIONS

During our audit we noted the Court implemented additional internal control procedures related to segregation of duties in the bank reconciliation process. We encourage the Court to continue to identify areas for strengthened internal controls.

GASB 34 ACCOUNTING

Capital Assets

In recent years, the Court has acquired assets paid for by the Administration Fund. According to the Court's capitalization policy, the Court capitalizes assets with an initial cost of more than \$4,000 or donated assets with an estimated fair market value of more than \$4,000. We recommend that the Court develop a system for identifying and tracking fixed asset acquisitions and disposals and the related depreciation expense which are reported in the full accrual financial statements.

Installment Purchase Obligations

The Court currently has two installment purchase obligations recorded as a liability in the full accrual financial statements. We recommend the Court ensure the activity related to these agreements is properly accounted for and any new installment obligations are identified and recorded in the year they are incurred.

District Judges Marla E. Parker
and James B. Brady
Michigan 47th District Court

September 16, 2005

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We would like to thank the Court personnel for their assistance during the audit. We appreciate the opportunity to serve as your auditors. If there are any questions about your financial report or the above comments and recommendations, we would be happy to discuss them at your convenience.

Very truly yours,

PLANTE & MORAN, PLLC



Gordon E. Krater



Stacey L. Reeves